

PUBLIC DISCLOSURE

NOVEMBER 26, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EASTERN BANK

**112 MARKET STREET
LYNN, MA 01901**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Eastern Bank** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **November 26, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding "

Eastern Bank's Lending Test performance is considered to be an overall "Outstanding." The institution's level of activity and penetration of loans throughout all geographies is deemed adequate. The bank's performance in lending to low and moderate-income borrowers as well as small business loan originations, in amounts less than \$100,000 is considered very good, as is its use of innovative and flexible lending practices. The bank's community development lending activity level is excellent. The remaining criteria are deemed adequate.

Eastern Bank made approximately \$40,571,000 in qualified investments that benefited the bank's assessment area or a broader statewide or regional area which included the bank's assessment area. Approximately half (\$20,129,407) of the qualified investments is attributed to the purchase of the bank's new operations facility, One Eastern Place. The amount and complexity of qualified investments, exclusive of operations center, still represents a high level of activity. The level and the degree of innovativeness and complexity of qualified investments are considered excellent.

The institution's Service Test performance was rated an overall "Outstanding." Eastern Bank maintains a branch network that is highly accessible to all geographies throughout the assessment area. The bank offered and participated in numerous educational seminars targeting low and moderate-income borrowers, first time homebuyers and small businesses. Eastern Bank's officers and staff, at all levels, have addressed community credit needs through their involvement in a wide range of community organizations, particularly those targeted to low and moderate income individuals throughout the assessment area.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **Eastern Bank, Lynn, Massachusetts**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Eastern Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Eastern Bank is a full service commercial bank headquartered at 112 Market Street in Lynn, Massachusetts. In addition to its main office, the bank operates 45 full service branch locations throughout Massachusetts. Of the 46 branches and offices, 13 are located in low and moderate-income census tracts. These branches are located in the following communities: Lynn (4), Salem (3), Peabody (2), Boston (1), Malden (1), Quincy (1) and South Boston (1).

The bank offers Automated Teller Machines (ATMs) which are located at every branch office. The bank also provides ATM service at four stand-alone locations. The ATM's are linked to the NYCE, Cirrus and SUM networks.

Eastern Bank offers a substantial number of loan products of both a conventional and flexible nature. Fixed and adjustable rate residential mortgages, as well as other consumer loans, such as automobile, boat, home equity, personal and passbook loans are available. Additionally, the bank offers commercial loans and commercial real estate loans. Flexible loan products include several products targeted towards low and moderate-income individuals and first time homebuyers. Eastern Bank is an approved SBA lender, and offers a number of loan products geared towards meeting the credit needs of small businesses.

As of September 30, 2001, Eastern Bank had total assets of \$3,779,630,000. Gross loans totaled \$2,885,517,000, representing approximately 76.3 percent of total assets. Refer to the following table for a complete breakdown of the bank's loan portfolio.

Loan Portfolio

Loan Type	Amount (\$ 000s)	Percent
Loans to Individuals	\$799,469	27.7%
1-4 Family Residential Real Estate	\$543,027	18.8%
Commercial and Industrial	\$525,755	18.2%
Nonfarm Nonresidential Real Estate	\$453,473	15.7%
Lease Financing	\$220,203	7.6%
Multi-Family Residential Real Estate	\$145,341	5.1%
Equity Lines of Credit	\$93,826	3.3%
Construction and Land Development Real Estate	\$64,170	2.2%
Other Loans	\$40,253	1.4%
Total	\$2,885,517	100.0

Source: September 30, 2001, Consolidated Report of Condition.

As shown by the data in the table above, the loan portfolio is diversified. Approximately 33.9 percent of all loans are centered in commercial loans and commercial real estate

followed by consumer loans at 27.7 percent and 1-4 family residential real estate at 18.8 percent.

The bank operates in a highly competitive area. Competition includes both state and nationally chartered financial institutions located within its assessment area. Its primary competitors include Fleet, Citizens, Salem Five, Rockland Trust and Medford Bank as well as national and area mortgage companies.

The bank appears to have adequate resources and no legal impediments that would preclude the bank helping to meet the community credit needs.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the FDIC as of August 16, 1999 assigned a rating of "Satisfactory". The previous evaluation performed by the Commonwealth of Massachusetts as of November 16, 1998 assigned a rating of "Outstanding".

DESCRIPTION OF ASSESSMENT AREA

Overview

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. For reporting purposes, the bank changed its assessment area for calendar year 2000 and year-to-date September 30, 2001. The change in assessment area was made as a result of significant growth in the acquisition of branches. Therefore, analysis will be based upon the current assessment area. Data for 1999 performance will, however, reference 1999 aggregate information based on the assessment area at that time. The bank's current assessment area contains 77 cities and towns located in the Brockton, Boston, Lawrence, and Lowell MSAs.

The current assessment area contains 398 census tracts: 21 (5.3 percent) low-income, 75 (18.8 percent) moderate-income, 22.1 (55.5 percent) middle-income, 74 (18.6 percent) upper-income and 7 (1.8 percent) designated as N/A. The low-income tracts are located in Boston (13), Lynn (3), Brockton (2), Salem (2), and Quincy (1).

The bank's 1999 assessment area contained 330 census tracts: 19 (5.8 percent) low-income, 68 (20.6 percent) moderate-income, 175 (53.0 percent) middle-income, 61 (18.5 percent) upper-income, and 7 (2.1 percent) designated as N/A.

The following data provides demographic and economic information pertaining to the bank's assessment area.

Housing information obtained from CRA WIZ, based on 1990 census data for the assessment area, indicated that there are 747,741 housing units, of which 56.9 percent are owner-occupied. Refer to the following table for more information.

Geographic Income Category	Percentage					
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units
Low	5.3%	3.1%	3.3%	0.7%	6.7%	7.4%
Moderate	18.8%	17.8%	18.3%	10.7%	29.1%	24.3%
Middle	55.5%	60.2%	60.0%	63.8%	54.7%	54.5%
Upper	18.6%	18.9%	18.4%	24.8%	9.5%	13.8%
N/A	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100%	100%	100%	100%	100%	100%

Source: 1990 U.S. Census

Community Contacts

Two community contacts conducted during the examination provided relevant information on the assessment area. The contacts were conducted in Lynn and South Boston and included an organization whose primary goals are to sustain economic development and quality job growth and an organization whose primary goal is to provide affordable housing. With approximately 21 percent of the households in the assessment area in the low and moderate-income category, there is a strong need in the community to create more affordable housing. The escalating housing values in the area have made home ownership opportunities limited for those individuals and families of low and moderate-income. This need for affordable housing appears to be a common theme throughout the assessment area and it is supported by the information provided by the community contacts. In addition, there are a substantial number of small businesses that have helped to create and sustain numerous job opportunities within the assessment area. The need for increased small business lending was also stressed, as small businesses are essential in supporting the local economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance is considered to be an overall "Outstanding." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. Eastern Bank's level of activity and loan penetration throughout all geographies is deemed adequate. The bank's performance in lending to low and moderate-income borrowers as well as small business loan originations in amounts less than \$100,000 is considered very good, as is its use of innovative and flexible lending

practices. The bank's community development lending activity level is excellent. The remaining criteria are deemed adequate. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

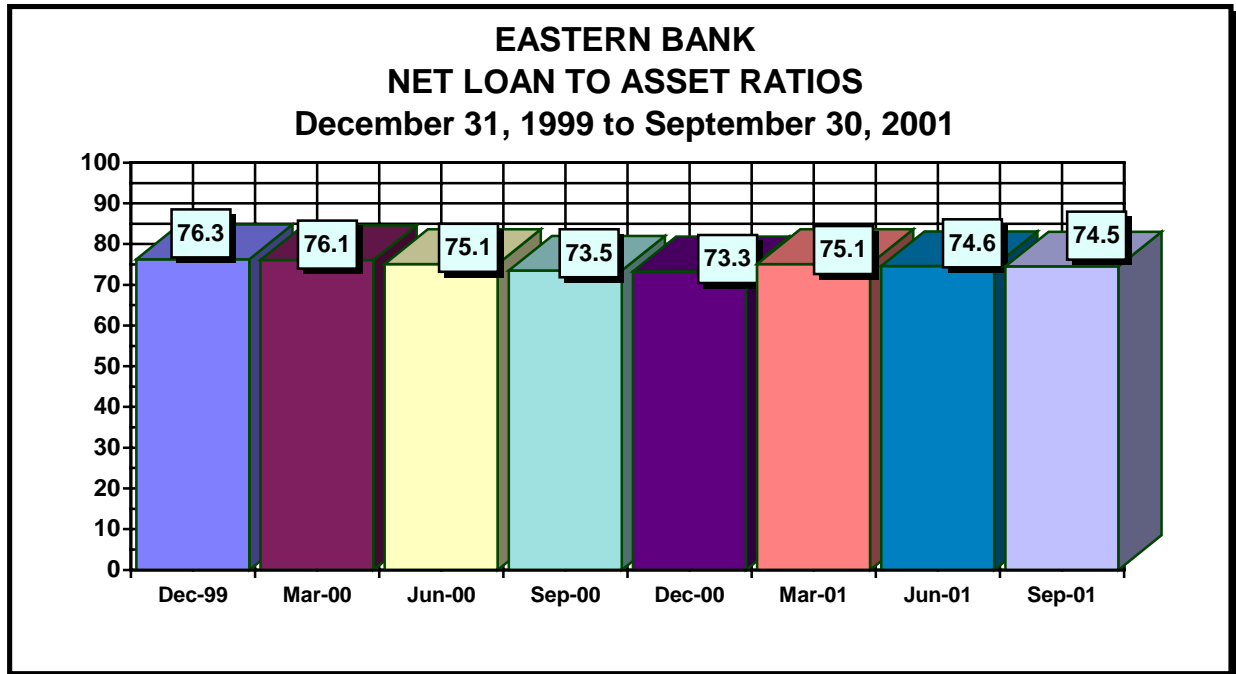
Scope of Evaluation

A review of Eastern Bank's HMDA-reportable loans and small business loans was conducted during this examination. These lending products were reviewed for the period of 1999, 2000 and through September 30, 2001. This time period was used throughout the report for both HMDA and small business lending, unless otherwise noted. Community development loans originated during the evaluation period as well as innovative and flexible loan programs offered by the institution were also reviewed.

In 2001, the bank began collecting data on some consumer loans including the following products: unsecured personal consumer loans and lines of credit, equity lines of credit, and other secured consumer loans including passbook and secured demand loans. The bank requested an analysis of its data. However, due to the fact that these loans do not represent a significant portion of the total consumer loan portfolio, and the short timeframe associated with the data collected, a meaningful analysis was deemed unachievable.

Lending Activity

As of September 30, 2001, Eastern Bank had assets totaling approximately \$3,779,630,000, as reported in the quarterly FFIEC Call Report. Over the last eight quarters, the bank's assets have increased by \$920,127,000 or 32.2 percent. The following table details the net loan to asset ratios for the period under review.



Source: FFIEC Call Reports

During the period December 31, 1999 to September 30, 2001, the bank's dollar amount of net loans increased by 29.0 percent, which is lower than the overall percentage of asset growth, resulting in a decrease in the bank's loan to asset ratio. The net loan to asset ratio has been relatively steady over the time period with a range from 76.3 percent on December 31, 1999 to 74.5 percent on September 30, 2001, for an average over the period of 74.8 percent. The bank is an active participant in the selling of mortgages. During 1999, 2000, and year to date August 30, 2001, Eastern Bank sold 3,100 loans totaling \$386,167,322.

The following table compares Eastern Bank's net loan to asset ratio with that of other area institutions throughout the assessment area.

INSTITUTION	NET LOAN TO ASSET RATIO September 30, 2001
Eastern Bank	74.5%
Boston Federal Savings Bank	84.9%
Rockland Trust Company	59.0%
Salem Five Cents Savings Bank	56.4%
Medford Savings Bank	48.3%

Further analysis was conducted on the bank's net loan to deposit ratio for the eight quarters under review. During this time, deposit growth outpaced loan growth with an increase of 31.3 percent and 29.0 percent, respectively. The net loan to deposit ratio has fluctuated slightly over the time period from a low of 93.2 percent on December 31, 2000 and a high of 96.3 percent as of March 31, 2000. The average net loan to deposit ratio currently stands at 94.4 percent.

Lending Inside/Outside of the Assessment Area

Eastern Bank's 1999, 2000, and year-to-date September 30, 2001 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. The bank has originated an adequate level by number and dollar volume of HMDA reportable loans within its assessment area during the evaluation period. As noted in the table below, 61.3 percent of the number and 64.1 percent by dollar amount of loans are in the assessment area. Refer to the following table for more information of each calendar year.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
1999	1,542	58.5%	199,243	59.9%	1,096	41.5%	133,226	40.1%
2000	1,013	63.7%	146,491	63.1%	578	36.3%	85,848	36.9%
Y-T-D 2001	1,293	63.0%	302,587	67.8%	758	37.0%	143,776	32.2%
Total	3,848	61.3%	648,321	64.1%	2,432	38.7%	362,850	35.9%

Source: HMDA/LAR, CRA Wiz

The total number of mortgage loans originated by year has experienced some fluctuation. In 1999, the bank originated 2,638 loans. In 2000, the number of originations declined to 1,591 due to higher interest rates and a lower inventory of homes for sale. Mortgage lending benefited from lower rates in 2001, and the bank's total number of originations grew to 2,051 as of September 30, 2001.

Included in the analysis are loans originated through two other outlets. Eastern Bank maintains a loan production office in Rhode Island as well as a relationship with a finance company that originates mortgages for the purchase of mobile homes outside of New England, primarily in Arizona, Florida, and South Carolina.

The most recent aggregate data for the assessment area available is for calendar year 2000. Aggregate data includes other HMDA-reporters comprised of bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. During 2000, Eastern Bank originated 1,013 loans within its assessment area. This ranked the institution 13th overall with a market share of 1.39 percent in the assessment area, which includes 599 lenders. Collectively, the top 12 lenders captured 35.43 percent of the market share. All of the top 12 lenders are significantly larger than Eastern Bank with only three providing direct competition through bank branch networks: Fleet Bank, Sovereign Bank and Citizens Bank of Massachusetts.

For calendar year 1999, Eastern Bank originated 1,542 loans in its assessment area ranking 8th overall out of 622 HMDA-reporters with a market share of 1.95 percent.

Small Business Lending

Eastern Bank's Small Business Loans Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions."

The bank has shown a high level of responsiveness to small business credit needs by originating a significant volume of small business loans within its assessment area. The bank originated 3,748 small business loans totaling \$629,075,000 during this period. A total of 3,027 loans totaling \$446,769,000 were originated to businesses within the bank's assessment area, representing 80.8 percent by number and 71.0 percent by dollar volume. Refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
1999	622	75.5%	90,223	66.5%	202	24.5%	45,524	33.5%
2000	925	81.3%	129,353	69.4%	213	18.7%	57,006	30.6%
Y-T-D 2001	1,480	82.9%	227,193	74.0%	306	17.1%	79,776	26.0%
Total	3,027	80.8%	446,769	71.0%	721	19.2%	182,306	29.0%

Source: CRA Data Collection

Eastern Bank's residential and small business lending activity reflects a very good level of responsiveness to the assessment area credit needs. This conclusion is reflective of the level of competition, asset size of the institution and composition of its loan portfolio.

II. Geographic Distribution

Eastern Bank's distribution of HMDA reportable and small business loans by census tracts reflects an adequate penetration throughout the assessment area. The bank's performance level of originations is deemed acceptable when compared to aggregate market data and the distribution of owner-occupied housing units in the assessment area.

HMDA-Reportable Lending

The HMDA-reportable loans located within the bank's assessment area were analyzed to determine their location by census tract income level.

The following table provides a breakdown, by number, of Eastern Bank's HMDA-reportable loans and compares the bank's performance with the percentage total of owner-occupied housing units within the assessment area for each of the census tract income categories.

Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% Total Owner-Occupied Housing Units	1999		2000		Y-T-D 2001		Total	
		#	%	#	%	#	%	#	%
Low	0.7	20	1.3	12	1.2	17	1.3	49	1.3
Moderate	10.7	228	14.8	139	13.7	155	12.0	522	13.5
Middle	63.8	1,015	65.8	678	66.9	823	63.7	2,516	65.4
Upper	24.8	279	18.1	184	18.2	298	23.0	761	19.8
Total	100%	1,542	100%	1,013	100%	1,293	100%	3,848	100%

Source: U.S. Census, HMDA LAR

As shown in the above table, 1.3 percent of the bank's HMDA-reportable loans by number, for the period reviewed, were within low-income census tracts and 13.5 percent were originated within moderate-income census tracts, both of which are higher than the percentage of owner-occupied housing units in those areas. Overall, the three-year trend for Eastern Bank's residential mortgage performance to low and moderate-income census tracts was relatively stable with penetration in moderate-income tracts reflecting a slight decline. Performance in middle-income census tracts fluctuated slightly but remained relatively stable, and performance in upper-income tracts reflected a gradual increase.

The following table depicts the distribution of the bank's HMDA reportable loans by number and dollar amount compared to all other reporters throughout the assessment area for calendar year 2000.

Distribution of HMDA Reportable Loans - Eastern Bank Compared to All Other Reporters								
Census Tract Income Level	Number of Loans				Dollar Amount of Loans			
	Eastern Bank		All Other Reporters		Eastern Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	12	1.2	1,218	1.7	1,689	1.2	186,368	1.6
Moderate	139	13.7	10,557	14.6	20,311	13.9	1,551,062	13.5
Middle	678	66.9	44,607	61.9	90,427	61.7	6,405,234	55.6
Upper	184	18.2	15,696	21.8	34,064	23.2	3,380,385	29.3
N/A	0	0.0	4	0.0	0	0.0	1,986	0.0
Total	1,013	100%	72,082	100%	146,491	100%	11,525,035	100%

Source: 2000 HMDA Aggregate Data

As indicated above, Eastern Bank originated 14.9 percent of its HMDA reportable loans in low and moderate-income census tracts, which is slightly below the aggregate which originated 16.3 percent that year. The bank's activity ranked them 19th among the 599 HMDA reporters for lending in low and moderate-income census tracts.

Additionally, aggregate data for 1999 revealed that Eastern Bank originated 16.1 percent of their HMDA reportable loans in low and moderate-income census tracts, which was slightly higher than the aggregate that originated 15.5 percent that year. The bank's activity for 1999 ranked them 10th out of 622 total lenders for lending in low and moderate-income census tracts.

Small Business Lending

Eastern Bank's small business loans were also analyzed to determine the distribution by census tract income level within its assessment area. This information indicates that Eastern Bank originated 17.9 percent of its small business loans within the assessment area in low and moderate-income census tracts.

The following tables depict this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract										
Census Tract Income Level	1999 Aggregate Data %	1999		2000 Aggregate Data %	2000		YTD 2001		Total	
		#	%		#	%	#	%	#	%
Low	7.0	43	6.9	6.0	51	5.5	70	4.7	164	5.4
Moderate	14.0	91	14.6	12.0	99	10.7	187	12.6	377	12.5
Middle	54.0	385	61.9	57.0	576	62.3	944	63.8	1,905	62.9
Upper	25.0	103	16.6	25.0	199	21.5	279	18.9	581	19.2
Total	100	622	100	100	925	100	1,480	100	3,027	100

Source: CRA data collection

The bank's penetration in low and moderate-income census tracts was comparable but slightly lower than aggregate data in 2000. In 1999 the bank's performance slightly exceeded the aggregate in penetration of moderate-income tracts while being comparable in low tracts. Overall, the three-year trend for Eastern Bank's small business lending performance to low and moderate-income census tracts reflects a slight decline, performance in the middle-income census tracts shows a gradual increase and performance in the upper-income tracts has fluctuated. The distribution of small business lending reflects adequate penetration throughout the geographies.

Overall, the bank has displayed an adequate geographic distribution of home mortgage and small business lending within its assessment area.

III. Borrower Characteristics

The bank's residential loan originations inside the assessment area were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Brockton, Boston, Lawrence, and Lowell Metropolitan Statistical Areas (MSA), depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. Refer to the following table for a breakdown of the estimated 2000 and 2001 HUD information.

MSA	1999	2000	2001
Brockton	\$55,700	\$57,700	\$61,300
Boston MA – NH	\$62,700	\$65,500	\$70,000
Lawrence	\$57,900	\$60,800	\$64,100
Lowell	\$61,800	\$64,900	\$70,200

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table illustrates the number of HMDA-reportable loans to low, moderate, middle and upper-income borrowers in comparison to the aggregate performance and percentage of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income - Comparison to Other Reporters												
Median Family Income	1999		1999		2000		2000		YTD 2001		Total	
	Total Households	Aggregate Data	#	%	Total Households	Aggregate Data	#	%	#	%	#	%
	%	%			%	%						
Low	3.2	5.2	113	7.3	3.0	4.5	66	6.5	75	5.8	254	6.6
Moderate	19.4	16.4	325	21.1	17.9	15.3	199	19.6	257	19.9	781	20.3
Middle	58.8	24.7	465	30.2	60.2	24.2	309	30.5	379	29.3	1,153	30.0
Upper	18.6	35.4	594	38.5	18.9	35.6	409	40.4	546	42.2	1,549	40.2
NA	0.0	18.3	45	2.9	0.0	20.4	30	3.0	36	2.8	111	2.9
Total	100	100	1,542	100	100	100	1,013	100	1,293	100	3,848	100

Source: U.S. Census, HMDA LAR, Aggregate Data

As indicated above, the bank's performance in making loans to low and moderate-income borrowers, is strong. In the period covered, the bank extended a total of 1,035 loans to low and moderate-income borrowers representing 26.9 percent of total loans originated in the assessment area. These loans represent 24.1 percent by dollar amount of the total loans in the assessment area originated during this period.

The distribution of the bank's loans among various borrower income levels was also compared to that of all other HMDA-reporting lenders in the assessment area. As previously mentioned, other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The bank's dispersion of loans to borrowers of different income levels exceeded the performance levels of the aggregate in all income categories for both 1999 and 2000.

Aggregate data for 1999 and 2000 revealed that Eastern Bank originated 28.4 percent and 26.1 percent of its loans, respectively to low and moderate-income applicants. This percentage is compared to the aggregate with 21.6 percent and 19.8 percent for 1999 and 2000, respectively. Market share analysis for 1999 indicated that Eastern Bank ranked sixth in lending to low and moderate-income applicants capturing 2.56 percent of the market and was ranked 11th in 2000 with a 1.83 percent market share.

Eastern Bank's lending performance also compares favorably to the dispersion of households within the assessment area for all income levels except middle-income. While it appears that the bank's percentage of originations does not match well with the dispersion of middle-income households, aggregate data illustrates that the bank outperformed the competition for percentage of originations within this category. It is important to note that 56 percent of all low and moderate-income households are located in middle-income tracts, where 63 percent of the housing units are owner-occupied. The escalating home values in these areas make it very difficult for many of these low and moderate-income household borrowers to qualify for financing in these areas.

The distribution of HMDA-reportable lending by borrower income demonstrates a strong willingness on the bank's part to lend to borrowers of all income levels especially those of low and moderate-income.

Small Business Lending

Eastern Bank's performance in meeting the credit needs of small businesses of varying size is strong. The table below illustrates the bank's performance based on annual revenue size of the businesses as well as loan size at origination. The data is compared to the percentage of lending performed by other institutions within the assessment area.

Small business loans originated within the bank's assessment area, during this period, were analyzed to determine the distribution among businesses of various sizes. Of the small business loans originated during this period, 50.1 percent were granted to small businesses, with annual revenues of \$1 million or less. The following table depicts the distribution of small business loans within the bank's assessment area by revenues of the business as well as comparing the bank's performance to that of the aggregate.

Distribution of Small Business Loans by Gross Annual Revenues Comparison to Other Lenders									
Gross Annual Revenues (000's)	1999 Aggregate Lending Data	1999		2000 Aggregate Lending Data	2000		YTD 2001		Total
	%	#	%	%	#	%	#	%	# %
≤ \$1,000	45.0	237	38.1	41.0	398	43.0	882	59.6	1,517 50.1
> \$1,000	55.0	322	51.8	59.0	448	48.4	401	27.1	1,171 38.7
NA	0.0	63	10.1	0.0	79	8.6	197	13.3	339 11.2
Total	100	622	100	100	925	100	1,480	100	3,027 100

Source: CRA Data Collection, Aggregate Data

While Eastern Bank's performance fell below the aggregate lending data in 1999 for originations to businesses with gross annual revenues of \$1 million or less, the bank's performance in 2000 slightly exceeded aggregate data. In addition, the bank's year-to-date September 30, 2001 loan originations to businesses with gross annual revenues of \$1 million or less reflects a significant increase over calendar year 2000.

The small business loans originated within the bank's assessment area were further analyzed to determine the typical loan amount at origination. The majority of the small business loans originated in the bank's assessment area, during this time period, had original loan amounts of \$100,000 or less. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Gross Annual Revenues Comparison to Other Lenders										
Loan Size (000s)	1999 Aggregate Lending Data	1999		2000 Aggregate Lending Data	2000		YTD 2001		Total	
	%	#	%	%	#	%	#	%	#	%
≤ \$100	26.1	397	63.8	30.5	616	66.6	975	65.9	1,988	65.7
>\$100 - ≤ \$250	18.7	107	17.2	17.8	158	17.1	213	14.4	478	15.8
>\$250 - ≤ \$1,000	55.2	118	19.0	51.7	151	16.3	292	19.7	561	18.5
Total	100	622	100	100	925	100	1,480	100	3,027	100

Source: CRA Data Collection, Aggregate Data

As shown in the above table, in excess of 80 percent of all small business loans originated by the bank within the assessment area were in amounts less than \$250,000. This level of performance far exceeded the aggregate market data for 1999 and 2000 that revealed originations of these amounts to be 44 and 48 percent respectively. The large percentage of originations of \$100,000 or less indicates a strong willingness on the bank's part to meet the credit needs of small businesses in its assessment area.

Eastern Bank has demonstrated high level of performance by originating loans with original amounts of less than \$100,000 and is performing a very good job serving the credit needs of small and medium sized businesses in the assessment area.

IV. Community Development Lending

Eastern Bank has initiated a number of community development loans that have had a positive impact on its assessment area. During the period examined, the bank originated 56 community development loans totaling \$63,350,000. In 1999, the bank originated eight qualified community development loans totaling \$17,295,000. In 2000, the bank originated 20 community development loans totaling \$29,462,000. For year-to-date 2001 the bank has originated 28 loans totaling \$16,593,000.

Through its community development lending efforts, Eastern Bank has been a leader within its community. The bank's lending activities support the efforts of several area non-profit organizations by financing their expansion and working capital needs. Additionally, Eastern Bank has assisted in the retention and expansion of jobs within its assessment area by financing the expansion of current businesses located in the North Shore and South Shore areas as well as assisting in the creation of numerous residential units of affordable housing.

Below are examples of community development loans and commitments made by the institution.

- Eastern Bank granted a \$7.7 million loan for the construction of the third and final phase of an apartment complex located in Woburn, Massachusetts. Permanent financing will be provided by the Massachusetts Housing Financing Agency. Approximately 22.4 percent of the units will be designated to individuals/families considered low and moderate-income.
- Eastern Bank granted three loans totaling approximately \$16 million to provide investor note financing into the fund known as USA Institutional Tax Credit. The proceeds of the loans will be used to acquire limited partnership interests in affordable housing developments that qualify for Low-Income Housing Tax Credits. The maximum income allowed is 60 percent of the area median income.
- Eastern Bank granted two loans to a local business in Salem, Massachusetts totaling approximately \$4 million. These loans were financed through a Massachusetts Industrial Development Bond financing package, and will be used to finance a new manufacturing facility and related equipment purchases. This resulted in the retention of 80 jobs and the likelihood of future employment opportunities within the Salem area.

V. Innovative or Flexible Lending Practices

As depicted below, Eastern Bank actively participates in numerous loan programs aimed at meeting the credit needs of first time homebuyers, low and moderate-income individuals and small businesses. The mortgage products are available at the bank's branches, as well as its satellite mortgage offices located outside of its assessment area.

Malden Redevelopment Authority First and Second Time Home Buyers' Program - Eastern Bank participates in this mortgage program in conjunction with the City of Malden. The program features below market rates, reduced closing costs, no points, and flexible housing to income and debt to income ratios of 33 percent and 38 percent, respectively. The product is available to borrowers earning no more than \$65,000 plus \$1,500 per dependant for the purchase of one to three-family homes in Malden. From 1999 through August 30, 2001, 30 loans were originated under this program totaling \$5,081,800.

Eastern Bank First Time Homebuyer Program - The bank's in-house first time homebuyer program is designed for those applicants who have demonstrated that they are a good credit risk, but would not qualify for a mortgage using traditional underwriting criteria. The program features a low 5 percent down payment, of which 2 percent may be a gift, grant or unsecured loan. In addition, the program offers flexible housing to income and debt to income ratios of 33 percent and 38 percent, respectively. From 1999 through August 30, 2001, the bank originated 12 loans through this program totaling \$1,793,840.

Federal Housing Administration (FHA) -FHA enables low and moderate-income individuals to obtain financing up to 100 percent loan-to-value for up to thirty years. The bank

participates in two FHA mortgage programs; one with fixed rates and one with adjustable rates. Eligible properties include owner-occupied one to four-family and FHA approved condominiums, and owner-occupied single unit second homes to 85 percent of the acquisition cost. Both programs allow flexible housing to income and debt to income ratios of 29 percent and 41 percent, respectively. From 1999 through August 30, 2001, Eastern Bank originated 127 loans through this program totaling \$16,191,773.

FHA 203K Rehab - The bank also participates in this FHA program, which allows borrowers to purchase or refinance a property and finance the cost of rehabilitation with one closing. The mortgage amount is based on the projected value of the property with the work completed, taking into consideration the cost to rehabilitate. This program allows for flexible debt to income ratios of 41 percent. During 1999 and 2000, Eastern Bank originated 3 loans through this program totaling \$241,900. The bank has not originated any loans through this program during 2001.

Veterans' Administration (VA) - The bank also participates in two VA programs, one fixed and one adjustable. VA provides mortgages up to 100 percent loan to value to qualified veterans. These loans are available on one to four-family, owner-occupied residential dwellings. From 1999 through August 30, 2001, Eastern Bank originated 45 loans through this program totaling \$6,003,429.

Federal National Mortgage Association (FNMA) Multi-Family Homebuyer Program - This program is designed to provide financing for two and three-unit owner-occupied properties to homebuyers who would not qualify for a mortgage using traditional down payment and standard underwriting criteria. For instance, under this program, debt-to-income ratios up to 36 percent are allowed. In addition, homebuyer education is required. During 1999 and 2000, Eastern Bank originated 7 loans through this program totaling \$1,375,450. The bank did not originate any loans through this program during 2001.

FNMA Low Down Payment - The bank participates in this program which requires only 3 percent down payment. It is designed to help lower-income borrowers who lack the savings for larger down payments. From 1999 through August 30, 2001, Eastern Bank originated 14 loans through this program totaling \$2,234,724.

Massachusetts Housing Finance Agency (MHFA) - Through the MHFA, the bank grants mortgages to first time homebuyers for the purchase of owner-occupied, one to four-family properties and condominiums. The program features low down payments and below market interest rates. For graduates of MHFA-approved home buying counseling, housing to income and debt to income ratios of 29 percent and 41 percent, respectively, are allowed. From 1999 through August 30, 2001, Eastern Bank originated 93 loans through this program totaling \$11,711,083.

Massachusetts Housing Partnership (MHP) Soft Second - This program was developed to aid low and moderate-income first time homebuyers in qualifying to purchase a home. The bank finances the initial 75 percent first mortgage with a subsidized "soft second" mortgage of 20 percent, up to a maximum amount of \$25,000. This program has been

committed to the following cities and towns: Lynn, Salem, Gloucester, Weymouth, Quincy, and Boston. From 1999 through August 30, 2001, Eastern Bank originated 18 loans through this program totaling \$1,794,925 with second mortgages totaling \$486,627.

Farmers Home Administration (FmHA) Loans - This program is designed to promote home buying in defined rural areas and for individuals unable to obtain mortgages without the guarantee of FmHA. The program features a high debt to income qualifying ratio of 41 percent. Eligible properties include owner-occupied single family residences. The maximum loan amount is determined by HUD geographic county limitations. During 1999, Eastern Bank granted 2 loans through this program totaling \$257,270. The bank has not originated any FmHA loans during 2000 and year-to-date August 30, 2001.

Freddie Mac Affordable Gold 97 - The Freddie Mac Affordable Gold Program, introduced in 1997, allows borrowers to purchase owner-occupied properties with as little as 3 percent down. Although targeted towards those of low and moderate-income, this program is available to all individuals whose income is at or below 120 percent of the Boston MSA average income. There is no maximum housing ratio, and monthly debt-to-income ratios of up to 40 percent are allowed. During 2001, the bank granted one loan under this program totaling \$117,450. The bank did not originate any loans through this program during 1999 and 2000.

Small Business Administration (SBA) Programs - Eastern Bank participates in the SBA Low Doc and 504 programs. The Low Doc program provides up to a 90 percent guarantee of qualified loans. The only documentation required is a one-page application, which is processed in as little as two days. The program focuses primarily on a borrower's character, credit and business experience. The 504 Program provides for direct financing by the SBA of a portion of small business loans. The general loan structure involves 10 percent participation by the small business, 40 percent participation by a community development corporation and 50 percent participation by the bank. The bank financed 26 SBA loans totaling \$4,114,000 during the time period reviewed. In addition, Eastern Bank became a preferred SBA Lender in April 2001.

Massachusetts Business Development Corporation Capital Access Program (MassCAP) This program enables banks to provide financing to businesses that otherwise would not meet standard underwriting criteria. Loans up to \$500,000 are granted to for-profit businesses with annual sales less than \$5 million. A reserve fund is set up to cover future losses from a portfolio of loans. During the time period reviewed, the bank granted 19 loans totaling \$720,000 through this program.

Quincy 2000 Small Business Loan Pool - The bank participates in the Quincy 2000 Small Business Loan Pool. This loan pool provides non-traditional bank financing up to \$150,000 for start-up and unsophisticated businesses. During the time period reviewed, Eastern Bank granted 2 loans through this program totaling \$28,000.

First Time Home Buyer Program in Everett - This 5/1 ARM program was introduced in 2001 and allows first time home buyers throughout Everett the opportunity to purchase

homes with reduced closing costs. Eastern Bank committed \$2,000,000 to this program. During 2001, the bank closed one loan totaling \$375,300.

The success of the various lending programs is summarized in the following table.

Innovative & Flexible Lending Activity		
Loan Description	Number Of Loans	Dollar Volume Of Loans
Malden Redevelopment Authority First & Second Time Home Buyers' Program	30	\$5,081,800
Eastern Bank First Time Home Buyer Program	12	\$1,793,840
Federal Housing Administration (FHA)	127	\$16,191,773
FHA 203K Rehab	3	\$241,900
Veterans Administration	45	\$6,003,429
Federal National Mortgage Association (FNMA) Multi-Family Home Buyer Program	7	\$1,375,450
FNMA Low Down Payment Program	14	\$2,234,724
Massachusetts Housing Finance Agency	93	\$11,711,083
Massachusetts Housing Partnership Soft Second Program	18	\$1,794,925 / \$486,627
Farmers Home Administration	2	\$257,270
Freddie Mac Affordable Gold 97	1	\$117,450
Small Business Administration	26	\$4,114,000
Massachusetts Business Development Corporation Capital Access Program	19	\$720,000
Quincy 2000 Small Business Loan Pool	2	\$28,000
First Time Home Buyer Program – Everett	1	\$375,300

Source: CRA data collection and bank records

VI. Fair Lending Policies and Practices

Eastern Bank's fair lending information was reviewed to determine how it related to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

The bank maintains a fair lending policy aimed at preventing illegal discrimination. The bank provides employees with training on the Equal Credit Opportunity Act. Eastern Bank's marketing efforts are conducted primarily through local radio, cable, newspaper and Internet advertisements that reach the entire assessment area. In addition, members of the bank are actively involved in the community which helps them to determine the credit needs of the assessment area.

The bank offers different types of flexible products that are effective in providing credit to those who would not qualify under conventional lending standards. Please refer to Section V. "Innovative or Flexible Lending Practices" under the lending test for a list of

flexible products. Additionally, the bank has participated in several educational seminars that are detailed in the service test section of this report

Eastern Bank has a second review system in place for all declined loan applications. The bank has internal control procedures to monitor and ensure the validity of HMDA data that is collected and reported.

Eastern Bank refers all loan customers whose home loan is delinquent to the appropriate credit counseling services available in the area. The bank has a staff of 1,516 employees of whom 153 are minorities. In addition, the bank employs numerous individuals who speak different foreign languages.

Minority Application Flow

Eastern Bank's assessment area contains 1,863,765 individuals, 152,286 or 8.2 percent of whom are minorities. The assessment area's minority population is 0.1 percent Native American, 2.4 percent Asian, 2.5 percent Black, and 2.9 percent Hispanic and 0.3 percent Other. The bank's minority application flow falls below the racial composition of its assessment area.

A review of HMDA reportable loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank received 4,826 residential loan applications from within its assessment area. During this period, 306 applications or 6.3 percent were received from minorities. The bank originated 217 or 70.9 percent of those applications. Refer to the following table for further details.

EASTERN BANK'S MINORITY APPLICATION FLOW*								
RACE	BANK 1999		BANK 2000		BANK Y-T-D 2001		BANK TOTAL	
	#	%	#	%	#	%	#	%
Native American	2	0.1%	2	0.1%	2	0.1%	6	0.1%
Asian	26	1.4%	19	1.4%	35	2.1%	80	1.7%
Black	17	0.9%	27	2.1%	16	1.0%	60	1.2%
Hispanic	20	1.1%	20	1.5%	25	1.5%	65	1.4%
Joint	26	1.4%	18	1.4%	16	1.0%	60	1.2%
Other	11	0.6%	9	0.7%	15	0.9%	35	0.7%
Total Minority	102	5.5%	95	7.2%	109	6.6%	306	6.3%
White	1,664	88.7%	1,050	80.5%	1,398	84.9%	4,112	85.2%
NA	109	5.8%	160	12.3%	139	8.5%	408	8.5%
Total	1,875	100.0%	1,305	100.0%	1,646	100.0%	4,826	100.0%

*Source: PCI Services, Inc., CRA Wiz Software.

An analysis was also performed comparing the bank's application flow levels in 2000 to all other HMDA reporting lenders throughout the assessment area. This data indicated that the bank received 7.2 percent of its applications from minority applicants compared to 9.8 percent for all other lenders.

MINORITY APPLICATION FLOW*				
RACE	AGGREGATE DATA 2000		BANK 2000	
	#	%	#	%
Native American	215	0.2%	2	0.1%
Asian	2,618	2.3%	19	1.4%
Black	2,849	2.6%	27	2.1%
Hispanic	2,850	2.6%	20	1.5%
Joint	1,089	1.0%	18	1.4%
Other	1,230	1.1%	9	0.7%
Total Minority	10,851	9.8%	95	7.2%
White	62,261	56.4%	1,050	80.5%
NA	37,310	33.8%	160	12.3%
Total	110,422	100.0%	1,305	100.0%

*Source: PCI Services, Inc., CRA Wiz Software.

Eastern Bank's minority application flow when compared to the other lenders within the assessment area is below the aggregate.

VII. Loss of Affordable Housing

The bank's participation in community development projects and government lending programs, along with its development of credit products with flexible lending criteria has assisted low and moderate-income individuals to remain in their neighborhoods.

INVESTMENT TEST

The institution's Investment Test performance was rated an overall "Outstanding." This rating is based upon the excellent level of qualified investments and degree of innovativeness and complexity of those investments. Management has been successful in increasing the dollar amount and level of qualified investments since the last evaluation.

The performance evaluation is based upon the bank's record of making qualified investments that benefit the assessment area or a broader statewide or regional area that includes the bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share or grant that has as its primary purpose community development.

A community development purpose includes providing affordable housing for low- or moderate-income individuals or areas; providing community services targeting low- or moderate-income individuals or areas; promoting economic development by financing small businesses; or revitalizing or stabilizing low- or moderate-income geographies. Investment performance is evaluated based on the level, innovativeness or complexity, and degree of responsiveness to community needs.

INVESTMENTS

Eastern Bank made approximately \$40,571,000 in qualified investments that benefited the bank's assessment area or a broader statewide or regional area which included the bank's assessment area. Approximately half, \$20,129,407, of the qualified investments are attributed to the purchase of the bank's new operations facility, One Eastern Place. The amount and complexity of qualified investments exclusive of that particular investment still represents a high level of activity.

Per the regulation, the above figure includes commitments, and advances towards qualified investments made since the previous examination, as well as qualified investments made prior to the previous examination with outstanding balances on the bank's books. The following are examples of some of the bank's qualified investments.

Massachusetts Housing Finance Agency

The Massachusetts Housing Finance Agency (MHFA) sells federally authorized, tax exempt and taxable bonds to individual and corporate investors. The sale of these

bonds raises private capital for mortgages which MHFA loans to eligible borrowers. The money is loaned at rates that are well below those offered by conventional lenders making housing financed by MHFA more affordable to low- and moderate income households. The following table lists Eastern Bank's investment in MHFA non-taxable fixed income investments during the evaluation period.

Qualified Mass Housing Non-Taxable Bonds		
Date Purchased	\$ Amount	Scheduled Maturity Date *Call Date
11/17/00	2,600,000	02/01/03
06/21/00	275,000	01/01/02
06/16/00	250,000	12/01/05
04/26/00	1,000,000	04/01/05 *04/01/03
11/09/00	1,680,000	06/01/05
Total	5,805,000	

Source: Report of Condition

Access Capital Strategies Community Investment Fund, Inc.

On September 19, 2001, Eastern Bank invested \$5 million dollars in the Access Capital Strategies Community Investment Fund, Inc. (ACSCIF). The ACSCIF is a SEC-registered fund structured as a business development company. The primary purpose of the fund is to provide a secondary market and financing vehicle for community development loan originators. The fund invests in private placement debt securities specifically designated to support underlying community development activities targeted to serve low- and moderate-income individuals such as affordable housing, education, small business lending and other job creating investments within in a target region specified by the investing institution. Eastern Bank's designated target region for the investment is the State of Massachusetts.

Massachusetts Business Development Corporation's MassBusiness Mezzanine Fund I, Limited Liability Company

On March 1, 1999, Eastern Bank committed \$250,000 to the MassBusiness Mezzanine Fund I, LLC (Fund). The goal of the Fund is to provide \$6,000,000 in mezzanine loans, ranging in size from \$100,000 to \$500,000 with maturities ranging from three to seven years, to small and medium businesses in Massachusetts. The fund provides financing opportunities that would not otherwise be available in the market place, for corporate expansions, mergers and acquisitions, recapitalizations, refinancing, ownership changes, and other strategic growth initiatives. The Fund is administered by the Massachusetts Business Development Corporation (MBDC), a quasi-public corporation established with the purpose of providing financing opportunities to small businesses, mature industries, firms in distressed geographic area, or which promote job creation or

retention throughout Massachusetts. Eastern Bank has been a member of MBDC since 1972. The Fund is structured as a Limited Liability Company comprised of MBDC and five Massachusetts banks. Capitalization of the LLC totaled \$4,000,000; MBDC contributed \$1,000,000 and \$3,000,000 comes from investments from the five member banks. The remaining \$2,000,000 is available in the form of matching investments made by Massachusetts Capital Resource Corporation (MCRC), a quasi-public investments fund backed by the insurance industry. Each member bank's capital contribution to the fund was scheduled to be made in three equal installments. Eastern Bank funded 100 percent of the \$250,000 commitment in three equal installments of \$83,333.33 on September 28, 1999, March 27, 2000, and June 29, 2001. The Fund will terminate on December 31, 2008 unless the members vote on an extension.

Massachusetts Business Development Corporation's MassBusiness Capital Fund II, Limited Liability Corporation

On October 20, 2000, Eastern Bank committed \$500,000 to the MassBusiness Capital Fund II, LLC (Fund). The objective of the fund is to provide a long-term capital delivery mechanism to established small businesses, generally those with \$10,000,000 or less in annual sales, in need of capital growth. In addition, the fund seeks to concurrently stimulate economic growth and promote job creation and retention in the Commonwealth. The fund makes investments, primarily in established companies, in the form of mezzanine instruments in the \$250,000 to \$750,000 range. The total investment in any one company will generally not exceed \$1,000,000. Similar to the MassBusiness Mezzanine Fund I, LLC discussed above, the Fund is administered by the Massachusetts Business Development Corporation (MBDC). The Fund is structured as a Limited Partnership. MBDC is the General Partner and invested \$1,000,000. The fund offered, in a private placement, \$12,000,000 of private limited partnership interests to investors. There are thirteen Limited Partners, consisting of individual and institutional investors, each committing investments ranging between \$200,000 and \$1,000,000. Each member bank's capital contribution to the fund is payable in three calls equal to 33.3% of the subscribed capital amount. To date, Eastern Bank has funded approximately 19% percent of the \$500,000 commitment in one installment of \$93,000 made on June 20, 2001. The Fund will terminate ten years after the expiration date of its formation.

Massachusetts Housing Investment Corporation, Limited Liability Company Loan Pool

On April 20, 2001, Eastern Bank made an equity investment of \$750,000 in the Massachusetts Housing Investment Corporation (MHIC), Limited Liability Company (LLC) Loan Pool. MHIC is a non-profit organization created in 1990 and certified by the U. S. Treasury Department as a Community Development Financial Institution. MHIC serves as an independent funding entity, making loans and assisting in the placement of tax credit equity investments. Since 1990, MHIC has been involved in the financing of approximately \$350 million dollars in loans and investments for affordable housing projects. At year-end 2000, MHIC converted its existing loan pool to a Limited Liability Company structure. The change in structure allows member equity investments in the

LLC to be used as a flexible capital base with which MHIC can provide creative financing products designed to serve unmet affordable housing and community development needs and can complement financing otherwise available in the market place. Since it was established in 1990, MHIC's loan pool program has made 130 loans totaling \$225,000,000, for the development of over 5,000 units of affordable housing. Loans are extended to both non-profit and for-profit borrowers to finance new construction, acquisition, and refinancing of existing loans for the purpose of providing affordable housing. In most cases, loans are made available to projects that would not otherwise be eligible to receive financing. Projects are eligible for financing if they meet at least one of the following criteria; 1) at least 20% of the units in the property are affordable to low-income households, 2) the property is located in the target investment area, or 3) the property serves to demonstrate unmet housing needs, which would not be expected to otherwise be met.

Massachusetts Housing Equity Fund (Equity Investments – Low-Income Housing Tax Credits)

In 1998, 1999 and 2000 Eastern Bank committed equity investments totaling \$2,840,000, \$2,840,000 and \$2,001,936, respectively, to the Massachusetts Housing Equity Fund (MHEF) 1998, Limited Partnership; the MHEF 1999, Limited Partnership; and the MHEF 2000, Limited Liability Company (LLC). The funds acquire interests in various limited partnerships and/or limited liability companies which are involved in the rehabilitation of existing multi-family or other apartment rental housing or the development of additional low-income housing projects throughout Massachusetts using the Low-Income Housing Tax Credit (LIHTC) program. The funds are managed by the Massachusetts Housing Equity Fund, Inc., a for-profit corporation. MHIC is the parent corporation and sole shareholder of Massachusetts Housing Equity Fund, Inc.

The equity investment commitments made in each fund represent the purchase of 2 units on a cash basis. The equity investments are not disbursed up front in one lump sum payment by the bank; instead, capital contributions to each fund are made as required in accordance with pre-determined payment schedules and/or in response to capital calls issued by the fund manager. The current book value of the banks' equity investments in all three funds as of September 30, 2001 is \$1,832,147. This amount represents the dollar value of the bank's capital contributions net of amortization adjustments.

Eastern Bank Administrative Office

On June 28, 2000 Eastern Bank, through its wholly owned subsidiary North Shore Holdings, Inc., purchased the facility at 195 Market Street in Lynn, Massachusetts for \$12.5 million. Subsequently, Eastern Bank has invested approximately \$7.5 million more into the facility in renovations and equipment, making the total investment in excess of \$20 million. The facility is now known as One Eastern Place, and houses the majority of Eastern's Back room operations, technology, finance, marketing, auditing, and other support functions, as well as it's consumer lending, mortgage banking, and retail branch administration groups. Total employment is in excess of 450 people.

The property is located in a designated and approved Economic Opportunity Area (EOA) of Lynn, which has been designated by the Massachusetts Economic Assistance Coordinating Council (EACC) as an Economic Target Area (ETA). This means that the location is officially designated as being in an economically depressed area in which new development is a key objective. The purchase of the building received approval on September 27, 2001, as a Certified Project by EACC. Eastern Bank entered into a Tax Increment Financing (TIF) Agreement with the city of Lynn in August 2001, under which Eastern Bank has agreed to increase its employment levels in Lynn by over 200 people, and give employment preferences to Lynn residents. The bank also agreed to cooperate with the Jobs Training Partnership Act in seeking to fill vacancies at the new facility. The TIF with the City and the Certified Project status with the State will provide tax savings for Eastern Bank, as part of the overall incentive program for designated EOAs and ETAs.

Eastern Bank's investment in a designated economically challenged area, coupled with the additional undertakings to continue to invest in the area and to hire additional residents from the low income community, underscores Eastern Bank's commitment to the communities in which it operates.

CHARITABLE CONTRIBUTIONS

Eastern Bank has made qualified grants for the current examination period totaling approximately \$590,000. This total represents approximately 37.2% of total contributions for the current examination period. Most of the grant funding comes from a foundation, Eastern Bank Charitable Foundation (EBCF), created by the bank to finance its charitable giving activities. The foundation was established for the purpose of supporting community, charitable, educational and other benevolent organizations. Annually, Eastern Bank contributes 10 percent of post-tax net operating income to EBCF. EBCF allocates 5 percent, of the three-year average value of the foundation's assets, as available for contributions on an annual basis. Recipients benefit the community in various ways, including childcare, healthcare, educational and social services. In addition, Eastern Bank also makes a nominal amount of charitable contributions outside of the foundation. In 2000 and YTD 2001, the bank made qualified grants totaling \$250 and \$5,250, respectively. The following table summarizes the foundation's level of activity.

EBCF Qualified Grants			
Year	Total \$ of EBCF Grants	Total EBCF Qualified Grants	
		\$	%
1999	517,932	202,505	39.1
2000	545,828	172,489	31.6
YTD 2001	507,023	209,246	41.3
Total	1,570,783	584,240	37.2

Source: Internal Bank Records

During 1999, 2000 and year-to-date 2001, EBCF extended \$584,240 in qualified grants. Adding in the \$5,500 in qualified grants donated by the bank, total qualified grants were \$589,740 during the evaluation period. The amount of qualified grants extended in 1999 and 2000 represented approximately 0.4 percent of pre-tax net operating income each year.

The following are examples of organizations that have received grants and contributions.

Citizen's Housing and Planning Association (CHAPA)

CHAPA is a non-profit umbrella organization for affordable housing and community development activities in Massachusetts. The grant is in support of the Homepath Collaborative project, a comprehensive training and technical assistance program for non-profit homebuyer counseling agencies.

Massachusetts Association of Community Organizations for Reform Now (ACORN)

This is a grassroots community organization of low and moderate-income families who have come together to improve their communities. ACORN focuses on the empowerment of low and moderate-income people by identifying and researching community issues and developing direct action campaigns to resolve these issues.

Caritas Communities, Inc.

The bank provides donations to this non-profit organization established to create affordable and safe housing for people on the verge of homelessness.

Inner City Scholarship Fund

Inner City Scholarship Fund provides financial support to numerous inner city parochial schools operated by the Archdiocese of Boston. Donated funds are used to provide scholarships to students in financial need.

Consumer Credit Counseling Service of Massachusetts (CCCS)

The bank provided donations in support of this organization's Southern New England office. CCCS provides programs that help prevent bankruptcies, reduce collection costs, and preserve customer relationships.

Habitat for Humanity

This not-for-profit organization assists families in attaining home ownership through self-help and outside donations of cash, materials, and labor. Home construction is

accomplished primarily through voluntary laborers who build houses that are then sold to selected low-income families.

The Community Minority Cultural Center, Inc. (CMCC)

The CMCC has always been engaged in ascertaining community credit needs of the local residential and business community. CMCC also assists aspiring local entrepreneurs, mainly local small business owners who are transitioning into self-employment and emerging or existing experienced owners.

Eastern Bank has provided continuous contributions to organizations which provide education and job skills training, neighborhood revitalization, youth programs and health and human services for individuals in need. These organizations include, but are not limited to: The Boys & Girls Club of Lynn, The Boys & Girls Club of Greater Salem, Girls Incorporated of Lynn, The Malden YMCA, The Salem YMCA, The Salvation Army, and The YWCA of Boston.

United Way

Eastern Bank continues to make substantial contributions to the United Way. While not included as qualified contributions, they are noteworthy. The foundation contributed \$38,000 to this organization during the evaluation time period. The contributions did not qualify for favorable consideration because funds were not specifically targeted towards programs aimed to benefit low and moderate-income individuals or census tracts.

SERVICE TEST

The institution's Service Test performance was rated an overall "Outstanding." The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

Eastern Bank's officers and staff at all levels have addressed community credit needs through their involvement in a wide range of community organizations, particularly those targeted to low and moderate income individuals throughout the assessment area. The types of products and services offered to consumers meet the needs of the communities served.

Retail Banking Services

Eastern Bank currently maintains 46 full service branch offices. The bank's main office is located at 112 Market Street, in a low-income census tract, in the downtown section of Lynn, Massachusetts. While the majority of the branch offices are located in middle-

income census tracts, the bank maintains a strong penetration of low and moderate-income tracts. Refer to the following table.

Distribution of Bank Offices by Income Category				
Census Tract Income Category	Census Tracts in Assessment Area		Bank Offices by Tract Location	
	#	%	#	%
Low	21	5.3	6	13.1
Moderate	75	18.8	7	15.2
Middle	221	55.5	26	56.5
Upper	74	18.6	7	15.2
NA	7	1.8	0	0.0
Total	398	100	46	100

The distribution of branch offices is further supported by the hours of operation. Operating hours vary by branch location; however, virtually all offices offer extended hours at least one evening during the week and the majority are open Saturdays. There are also nine offices, which offer Sunday hours.

Eastern Bank offers many other alternative delivery systems in addition to the branches identified above. There are Automated Teller Machines (ATMs) located at every branch. The bank also provides ATM service at four stand-alone locations. The ATM's are linked to the NYCE, Cirrus and SUM networks. The SUM Program is designed to provide consumers with surcharge-free banking alternatives throughout a broad geographic area of the Commonwealth.

Record of Opening and Closing Branches

The bank has a formal Branch Opening and Closing Policy. This policy outlines procedures to be followed should the decision be made to open or close an office. On October 1, 1999, Eastern Bank closed the Salisbury branch located at 5 Elm Street. Eastern Bank also closed the Hingham branch located at 71 Main Street on July 6, 2001.

The bank has opened five branches since the previous examination: Peabody in May 2000 and Brockton, Canton, Norwell and Randolph in December 2000.

Alternative Retail Delivery Systems

Telephone Service: The 24-hour toll-free automated telephone service has account information, account transfer capabilities, current rate information, personalized customer service and account opening capabilities. In addition, the bank provides TDD/TTY service for the hearing impaired.

Eastern Bank ONLINE: The bank provides three different ways to bank and pay bills from a personal PC, including using personal financial management software, using software provided by Eastern Bank, or using the bank's existing internet browser. After a free three-month trial period, monthly fees of \$5.00 for personal accounts and \$5.00 for business accounts are deducted from the users' designated Eastern Bank checking account.

Ebmortgage.com: This mortgage web site enables Eastern Bank customers to apply on-line for a mortgage, apply for prequalification, research current mortgage rates, access up-to-date market information, calculate their payment, track their rate, or view a list of frequently asked questions that assist them in the mortgage process.

Bank-At-Work: This is a benefit offered to companies and their employees, providing a number of attractive financial discounts. The service includes a free checking account, consumer loan discounts, cash reserve and direct deposit.

Bilingual Employees: The bank has 33 bilingual employees on staff. The languages spoken by bank personnel include: Armenian, Cambodian, Chinese, French, Greek, Hindi, Italian, Portuguese, Punjabi, Romanian, Russian, Spanish, Ukrainian and Urdu.

Other Retail Services

Eastern Bank is a participant in the Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. The program's purpose is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes. The bank participates by offering the following low cost checking and savings accounts:

- **Free Checking Account:** This checking account has no minimum balance requirement, no monthly per-check fees, no monthly service charges, unlimited check writing, unlimited debits, free VISA CHECK card, unlimited Eastern 24 ATM transactions and three free non-Eastern ATM transactions per statement cycle, \$1.25 per transaction thereafter.

- **Economy Checking Account:** This checking account has no minimum balance requirement and charges a monthly fee of \$2.50 (\$1.50 fee with direct deposit) and a \$1.00 fee per debit (after the 15th debit).
- **Economy Savings Account:** This savings account has no minimum balance requirement and charges a monthly fee of \$1.00 (no fee with direct deposit).

All of the above accounts meet the “Basic Banking for Massachusetts” standards.

Eastern Bank also offers the following checking account

- **Flat Fee Checking Account:** This checking account has no minimum balance requirement and charges a monthly fee of \$10.00 (\$8.00 fee with direct deposit)

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. Detailed below are Eastern Bank’s qualified community development services.

Educational Seminars

Eastern Bank has conducted and participated in seminars designed to educate consumers about banking and products available to meet their specific needs. The bank’s involvement since the previous examination is detailed below.

During the examination period, Eastern Bank has been involved with 32 seminars that highlight the various aspects of the homebuying process. Sessions have been held at several branch locations, as well as in conjunction with the Salem Harbor CDC, Chelsea Restoration, Quincy Community Action, Lynn Housing Authority, Malden Redevelopment Authority and the Plymouth Redevelopment Authority. In addition, several of the seminars were either conducted in foreign languages or had staff members available to assist with any language barriers encountered during the seminars.

During the examination period, the bank has also been involved in 12 Small Business Seminars. These seminars include the 401K Small Business Seminar, the Service Corps of Retired Executives (SCORE) Seminar, Women in Business Seminar and the Mass Export Center’s Export Finance Certificate Series.

In February 2000, Eastern Bank was a participant in a Massachusetts Bankers Association Seminar. The Massachusetts Bankers Association Foreclosure Prevention Project was the main topic during this seminar.

In September 2001, Eastern Bank was a participant in a College Night held at the Peabody High School. Packages of information containing Stafford and Plus Loan applications, as well as other financing options were distributed to interested visitors.

The bank participates in the state Treasurer's Savings Makes "Cents" program with two elementary schools in Lynn. This program's purpose is to educate students on the basics of money management and to encourage savings.

Involvement in Community Organizations

Eastern Bank's Trustees, Officers and employees, at all levels, are actively involved with community organizations. Through these involvements, the bank's staff lends their technical expertise, experience and judgment to these organizations. The following are some examples of the bank employee involvements:

Massachusetts Housing Equity Fund: This organization is a sponsor of Low-Income Housing Tax Credit funds that invests in affordable housing developments in Massachusetts. Eastern Bank's Vice President of Commercial Real Estate is on the Investment Committee.

Massachusetts Housing Partnership Fund: This fund provides permanent debt for affordable housing developments in Massachusetts. The Chairman/CEO of Eastern Bank is the Vice-Chairman and on the Board of Directors. The bank's Vice President of Commercial Real Estate is on the Loan Committee.

Massachusetts Certified Development Corporation: This corporation provides financing for small businesses throughout the state, including low and moderate-income areas. The bank's Executive Vice President of Commercial Lending is on the Board of Directors.

Massachusetts Housing Investment Corporation: This corporation provides housing to low-income individuals. The bank's Executive Vice President of Commercial Lending is on the Board of Directors.

Massachusetts Community & Banking Council: This joint effort of community groups and Mass Bankers promotes affordable housing and access to banking services for low and moderate-income communities. Eastern Bank's Vice President of Small Business Banking is a member of this council. The bank's Mortgage Administrator is a member of the Real Estate Committee. The bank's Executive Vice President of Consumer Banking is on the Board of Directors.

Community Economic Development Assistance Corporation: This organization provides early-stage real estate development capital to non-profit organizations for the creation and preservation of affordable housing. The bank's Vice President of Commercial Real Estate is the Treasurer for this corporation.

Citizen's Housing and Planning Association: This organization's primary function is affordable housing advocacy for both homeownership and rental housing. The bank's Vice President of Commercial Real Estate is on the Board of Directors.

Habitat for Humanity: This organization builds and rehabilitates houses in low-income areas. The Commercial Credit Analyst of Eastern Bank is on the Finance and Administration Committee.

United Fund of Greater Lynn: This organization provides funding to several area organizations focused on low and moderate-income individuals in Lynn. The President of Eastern Bank is the Treasurer and is on the Board of Directors.

Family & Children's Services of Greater Lynn: This is a non-profit counseling organization which serves people who live, work or attend school in the Greater Lynn area. The bank's Senior Vice President of Human Resources is the Vice President of this organization, Chairman on the Personnel Committee and Chairman on the Strategic Planning Committee.

South Shore Economic Development Corporation: This corporation provides business loans in low and moderate-income areas. These areas consist of the towns of Middleboro, Quincy, Brockton, Weymouth, Dedham, Stoughton, Braintree and Norwood. The bank's Senior Vice President of Business Banking is a Trustee and Assistant Treasurer for this corporation.

South Shore Day Care Services: This organization provides quality childcare to a diverse population in the communities of the South Shore, with emphasis on low and moderate-income families. The Family Day Care homes are located in Braintree, Brockton, Holbrook, Quincy, Randolph and Weymouth. The bank's Senior Vice President of Business Banking is the Treasurer and on the Board of Directors.

The community also benefits from Eastern Bank's employee involvement in the following organizations: Caritas Communities, Affordable Housing Investors Council, Salem State College Assistance Corporation, Winning Home Foundation, Community Minority Cultural Center, Brookhouse Home for Aged Women, South Shore YMCA, Carney Hospital Foundation, Lynn Business Education Foundation, Massachusetts Mortgage Bankers Association, Boston Fair Housing Center, Lynn Community Health Care, New Horizons at Choate, Local Money Management Program, Malden Catholic High School, Malden YMCA, Malden Industrial Aid Society, Ipswich Housing Authority, The Northshore Medical Center Foundation, Salem Hospital, Samaritan Society, Quincy 2000 Economic Development, Boys & Girls Club of Greater Lynn, United Fund & Council of Greater Lynn, and South Shore Health & Educational Foundation.

APPENDIX A

SCOPE OF EXAMINATION

Eastern Bank has one designated assessment area. The bank's assessment area contains 77 cities and towns located in the Brockton, Boston, Lawrence, and Lowell MSAs.

The institution's CRA performance was reviewed using the large bank examination procedures. The time period covered in this examination was January 1, 1999 through September 30, 2001 for HMDA reportable and small business lending. Community Development lending activities were evaluated through the examination date November 26, 2001.

All loans recorded on the bank's 1999, 2000 and year-to-date 2001 HMDA LAR were included in the evaluation of the bank's lending performance. In addition, all loans on the 1999, 2000 and year-to-date 2001 Small Business Loan Register were included in the evaluation of the bank's lending performance. A review of the bank's community development lending, investment and service activities were also evaluated from available reports and registers.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from PCI, CRA WIZ, and other aggregate data sources. The examination also included a review of the bank's public file, which contained no negative CRA related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EASTERN BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **NOVEMBER 26, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

